

GOVERNOR'S OFFICE OF MINORITY EMPOWERMENT

September 2006 Newsletter

Inside

Governor's Letter	2
Message from Executive Director	3
Free Home Buyer Education & Counseling Available	4
Did You Know?.....	5
Homeownership	6
How to Avoid Predatory Mortgage Loans	7



Special Homeownership Edition



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

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September 2006

In this month's newsletter I want to focus on the power of homeownership. Owning a home is the primary step to begin wealth building for ourselves and our families. Homeowners also experience a tremendous sense of personal and community pride. For most of us, purchasing a home is the largest and most significant financial transaction we will ever make.

According to the 2000 Census, more than two-thirds of Kentuckians own their own homes. Unfortunately, just slightly more than 36 percent of Kentucky's Hispanic population and 41.5 percent of the state's African American population own their own homes. These numbers are entirely too low.

Sociologist Thomas Shapiro coined the term "transformative assets." He speaks, correctly, about family wealth being transferred from one generation to the next. He also believes assets, not income, can determine a family's "life trajectory." We must always remember income – that which is used to pay our monthly bills – is not the same as assets.

Assets are the resources that provide wealth. Families with solid assets can pass along more financial freedom and opportunity to their children. Homeownership, for most of us, is the single most important step we can take to begin establishing principal for our children.

But purchasing that first home is not easy. Indeed, it can be a challenging process. While there are many incentives for first time home buyers, there are also many pitfalls – particularly in the form of predatory lenders. We hope this issue of our newsletter will provide you with the tools you need to travel one of life's most invaluable journeys – the road to homeownership.

Every community begins with a house. It is true regardless of the county or the state. Homeownership is the cornerstone for wealth building, civic participation and family pride in your community. I know you can do it. Just take the first step and remember you are journeying down a path that will change your life.

Ernie Fletcher, Governor
<http://governor.ky.gov/>



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The Governor's Office of Minority Empowerment has decided to use its newsletter to target and promote issues of significant importance to Kentucky's minority population. This month we are focusing on homeownership.

With such a great divide in homeownership percentages between Kentucky's minority population and non-minority population, we thought this a very serious issue to address. Homeownership is the single most important asset-building practice a family can pursue. The creation of transferable assets for the next generation of your family, can and will dictate how they live their lives.

Assets transferred from one generation to the next allow the recipients to make deliberate decisions as to the communities in which they live, how they educate their children, the type of career they pursue and quality of life choices in general. It makes the American dream more accessible.

There are myriad historical reasons why minority populations have such low numbers as it pertains to homeownership. While we cannot address all of these issues in this particular newsletter, we can focus on ways to help close the homeownership gap in the commonwealth. Initiatives on the federal and state levels have opened several doors to opportunity and to new homes.

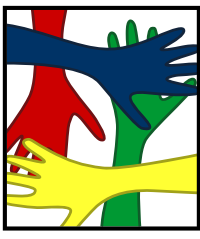
Remember, you can do this. There are scores of individuals, private and non-profit agencies available to help. It may take time, but I can think of no greater goal for you, your family, your community and your future.

All best,

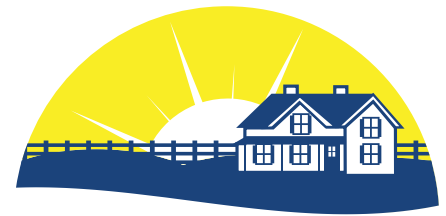
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Homeownership
Edition

Free Home Buyer Education and Counseling Available In Your Area

Delton Wright, Business Development Officer
Kentucky Housing Corporation

A home is one of the most important purchases you will ever make. To empower yourself with knowledge about buying a home, the Kentucky Housing Corporation invites you to sign up for free homeownership education or counseling near you. Kentucky Housing's Homeownership Education and Counseling Team works with a network of housing industry professionals and approved counselors to provide classes around the state. Classes may also be available in Spanish. Classes available include:

- [Home Buyer Education](#). If you have always wanted to buy a home, but thought you couldn't afford one, the Yes, You Can ... Own a Home workshop is for you.
- [Homeownership Counseling](#). Learn more about budgeting and how to overcome credit issues, especially if you've been denied a loan because of your credit history.
- [Post-Purchase Education and Predatory Lending](#). If you are a new homeowner and want to learn how to protect your investment and avoid predatory mortgage lending, this course is for you. Kentucky Housing is leading an initiative called [Don't Bor-](#)

[row Trouble Kentucky](#) to help educate consumers about predatory lending. Visit the [Kentucky Housing Web site](#) for more information.

A list of classes available is provided in the Homeownership Education and Counseling section of the Web site or you may type this address in your browser: <http://www.kyhousing.org/CounselingCalendarList.asp?sec=57>. From the pull down list on the page, select the class or classes you would like to attend. Class details, including phone numbers, are provided. Call the agency to learn more about signing up to participate. To learn more about [Homeownership Opportunities](#) at Kentucky Housing, visit our [Web site](#). You also may request a copy of the [Home Buyer Notebook](#). For more information, call Laura Sudduth at (502) 564-7630 or toll-free (800) 633-8896, extension 222; or TTY 711; or email lsudduth@kyhousing.org.

Kentucky Housing Corporation, the state's housing finance agency, has been leading the way home for more than 72,200 of Kentucky home buyers since 1972. Kentucky Housing is a self-supporting, public

corporation. Through the sale of tax-exempt mortgage revenue bonds and receipt of fees for administering federal rental assistance, the Corporation offers lower-than-market rate home mortgages, multifamily housing production financing, homeownership education and a variety of rental assistance and housing rehabilitation programs.



Did You Know?

Cynthia Thornburg Schnell, Housing/Intake Supervisor
Kentucky Commission on Human Rights

Do you know your rights under the fair housing laws? One would think that a law-abiding citizen would want to know about any law. The more knowledge one has, the more one is able to comply with the law or benefit from the rights afforded by the law. So, do you know your rights under the fair housing laws? Before reading any further, why not check your fair housing IQ? How would you answer these questions?

1. Is it unlawful for an apartment complex owner who rents to people of all age groups to decide that families with young children can only rent in one particular building and not in others, because the building is close to the play area and younger children tend to make lots of noise and may bother other tenants?
2. An apartment building owner places a notice on a community bulletin board to find a tenant for a vacant apartment. Is it unlawful to have the notice to say, "Christian preferred?"
3. Is it unlawful for a landlord to charge Hispanic tenants a higher deposit than non-Hispanic, because the landlord says they cause more damage to the property?
4. Is it unlawful for a landlord to require applicants for units to have a credit check, require a criminal check and to conduct these checks the landlord has the applicants complete a form and charges a non-refundable \$25?
5. In checking references on an application for a vacant apartment, a landlord learns that the applicant has a history of mental illness. Although the applicant is not a danger to anyone, is it unlawful that the landlord does not want to rent to such a person?
6. A white family is selling their house through a real estate agent. They have only white neighbors. A few of the neighbors tell the family, that if a non-white person buys the house, there would be trouble for that buyer. Not wanting to make it difficult for a buyer, is it unlawful if the family tells the real estate agent that they will sell their house only to a white buyer?
7. A black family looking to buy a house goes to a real estate agent and asks about the availability of houses within their price range. Is it unlawful for the agent to decide to show them

- only houses in all-black neighborhoods, even though there are many houses in their price range in other parts of the community?
8. Is it unlawful for a landlord who has a "No Pets" policy to refuse to rent to a person who requires a guide dog/service animal?

These are just a few scenarios of issues that are brought to the Kentucky Commission on Human Rights (KCHR) regarding housing issues. KCHR is a state government agency that was created in 1960 to encourage fair treatment, foster mutual understanding and respect and discourage discrimination against disenfranchised persons in the Commonwealth of Kentucky. The Kentucky Civil Rights Act (Kentucky Revised Statute [KRS] 344) prohibits discrimination in Kentucky. In 1966 the Kentucky Legislature passed legislation that empowered KCHR to enforce the Kentucky Civil Rights Act.

So what is discrimination? Discrimination is defined in KRS 344 as meaning any direct or indirect act or practice of exclusion, distinction, restriction, segregation, limitation, refusal, denial, or any other act or practice of differentiation or preference in the treatment



of a person or persons, or the aiding, abetting, inciting, coercing or compelling thereof made unlawful under this law. One of KCHR's roles is to protect persons in the Commonwealth of Kentucky from discrimination in a housing transaction. Persons within the commonwealth have the right to live where they want to live, have the full enjoyment of their housing accommodations, and to be free from discrimination in the sale or lease of real property, financing and housing insurance. The Kentucky Civil Rights Act forbids discrimination in housing because of a person's race, color, religion, national origin, sex, disability, or familial status.

So now that you have the basic definitions of discrimination and protected classes under the law, let's see what your housing IQ is.

1. This is unlawful under the state and federal Fair Housing Laws based on familial status, which is having custody of persons in the household under the age of 18. The owner in this scenario rents to persons of all age groups; therefore, does not qualify for the exemption for person 62 and older. Landlords may not treat families with children under the age of 18 different from others, either with respect to building assignment or in any other way.
2. This is unlawful under the state and federal Fair Housing Laws based on religion. It is illegal to advertise or make any statement that indicates a preference based on race, color, national origin, religion, sex, familial status or disability.
3. This is unlawful under the state and federal Fair Housing Laws based on national origin. It is illegal to charge different deposits based on any protected class.
4. This is not unlawful; however, the landlord must be consistent with this policy by requiring this of all applicants.
5. This is unlawful under the state and federal Fair Housing Laws for landlords to reject an application because of mental illness. However, housing does not have to be made available to a person who is a direct threat to the health or safety of others or who currently uses illegal drugs.
6. This is unlawful under the state and federal Fair Housing Laws for a seller to restrict the sale of their house only to white buyers when working with a real estate agent or using advertisement. It is unlawful to restrict the sale of a house based on any of the protected classes.
7. This is unlawful under state and federal Fair Housing Laws based on what is called "steering". It is illegal for a real

estate agent to restrict a client's housing search to neighborhoods of a certain racial composition.

8. This is unlawful under state and federal Fair Housing Laws based on a reasonable accommodation for a disability. Landlords are required to allow for a reasonable accommodation, which a modification of the rules would be considered reasonable. It has been argued that an animal is an "auxiliary aid" much like a wheelchair, and thus, the landlord may not charge an extra deposit.

This is just a start in developing an understanding of the Kentucky Fair Housing Laws. If you are interested in learning more about fair housing, KCHR is able to provide training. KCHR is located at 332 West Broadway, Suite 700, and Louisville, KY 40202. For training you can contact KCHR at 1-800-292-5566 or 502-595-4024.

Homeownership

D. McGinnis Mitchell

CEO Premier Mortgage Group, Inc.

Homeownership is a very simple concept: buy something that will help create financial stability and build collateral, or continue to pay for someone else's investment. Seems like an easy decision. However for most minorities especially



Governor's Office of
Minority Empowerment



Homeownership
Edition

African-Americans this simple concept is not executed by as many as one would think. In the state of Kentucky, according to the American Community Survey, only 41% of minorities own their homes as opposed to 74% of whites. These percentages are far behind the national average of 48%. In fact, since 2002 when President Bush announced the federal government's plan to increase minority homeownership by 5.5 million new homeowners by 2010, African-Americans have been the only minority demographic to decrease in homeownership percentages.

George Masnick of The Harvard Center for Housing Studies is quoted as saying: "There is perhaps no greater indicator of the persistence of social inequality in the United States than that measured by enduring racial inequality in homeownership."

The Governor's office is concerned about this disparity and is involved in many efforts to increase minority homeownership across Kentucky. It will take a collective effort from both the private and public sectors, along with a concise plan and commitment to execution from all involved. The Office of Minority Empowerment understands these challenges and is committed to make a difference.

The benefits of homeownership are obvious for most and it is extremely important for people to understand the economic effect to the state's economy that occur when homeownership percentages increase across all demographics. It is this understanding that will lead to the kind of effort necessary to effect the change needed in our state.

How to Avoid a Predatory Mortgage Loan

Anne Marie Regan, Senior Staff Attorney
Office of Kentucky Legal Services Programs, Inc.

Are you interested in buying a home or refinancing your mortgage? Unfortunately, there are some disreputable lenders and brokers who will take advantage of individuals who are not financially savvy. Studies have shown that minority borrowers are two to three times more likely to end up with a sub-prime mortgage loan, regardless of income. This article discusses ways to avoid becoming a victim of predatory lending.

First, get a copy of your credit report. Your ability to obtain a mortgage with good credit terms will hinge on your credit score. Late or missed payments will lower your score. Review the report. If there is anything incorrect on your report,

contact the credit bureau to contest it. You can get a free copy of your credit report each year from the three major credit bureaus at www.annualcreditreport.com.

If your credit history is poor, focus on cleaning up your credit before attempting to buy a home. Come up with a monthly budget and stick to it. Make sure your bills are paid on time. Reduce your debt obligations. If you have serious credit problems, contact a reputable credit counseling agency. They can negotiate with your creditors to get you back on track. But don't pay a private agency to fix your credit. In Louisville, the Housing Partnership offers a counseling and educational program for individuals who want to purchase a home. They can be contacted at (502) 585-5451.

Before you start looking for a home, apply for a mortgage. Don't assume without trying that you won't qualify for a prime, low-interest mortgage. Studies have shown that up to 30% of individuals who end up with sub-prime loans could have qualified for a prime mortgage if they had applied for one. Start with your local bank. Avoid lenders who solicit your business at home, by mail or by telephone. Try to avoid hiring a broker, as you will end up paying (and financing) hefty broker fees.



Governor's Office of
Minority Empowerment



Homeownership
Edition

Shop around. Many banks participate in first time homeowner programs. You may qualify for a subsidized loan through FHA, VA, the Kentucky Housing Corporation or Habitat for Humanity.

Once you have applied for a mortgage, the lender must give you a written estimate of fees and costs before the closing. This information is difficult for most people to understand. Review the estimate with a housing counselor or a lawyer before you close on your loan. You can contact Don't Borrow Trouble Kentucky at (866) 830-7868 for a referral to a housing counselor.

When reviewing your loan, watch out for telltale signs of a predatory loan: excessive fees or interest rates, an inflated appraisal, points that do not reduce your interest rate, prepayment penalties or balloon payments. The classic predatory loan is made based on the property's value rather than the borrower's ability to pay. Make sure you can afford the monthly payments before you sign.

If you get to the closing, and there are additional fees or terms you did not agree to, walk away from the table. After the closing, you have three business days to cancel the transaction if you change your mind.

Once you purchase a home, pay your mortgage on time. Review your bill each month and contact the lender and contest any service fees or charges you didn't agree to pay. If you are having trouble making your payments, don't ignore the situation. Call your lender or servicer and explain the problem. Most lenders have forbearance and loan modifications programs. In some cases, they may let you skip a few payments while you get back on your feet. Talk to a housing counselor to help you sort through your options.

If you are more than three months behind in your payments, you may be facing foreclosure. Don't bury your head and ignore the problem. There still may be something you can do. One option is to sell the house yourself. You may be able

to refinance with another lender but avoid refinancing a subsidized loan at a higher rate. If you get sued, consult an attorney. You may be eligible for free legal help. Go to <http://kyjustice.org> for information. An attorney may be able to find legal defenses to the foreclosure. You might consider a Chapter 13 bankruptcy, which would allow you to pay off your delinquent payments over time while paying your current mortgage bill.

Hopefully, if you follow the steps outlined above, you can become a homeowner without falling victim to a predatory lender. Be informed and protect your family.

Below are related Kentucky housing links:

- Housing Links: <http://www.kyhousing.org/Links.asp>
- Kentucky State Data Center Housing Data: <http://ksdc.louisville.edu/1housing.htm>
- Consumer Information: <http://www.kar.com/consumerinfo.asp?p=realtor>